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ACTION EAP-00

INFO	LOG-00	AIT-00	ACQ-00	EB-00	VC-00	TEDE-00	INR-00
	L-00	VCE-00	AC-00	NSAE-00	OES-00	OMB-00	PA-00
	PM-00	PRS-00	ACE-00	P-00	SP-00	SS-00	TRSE-00
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FM AMEMBASSY HANOI
TO SECSTATE WASHDC 7645
INFO ASEAN REGIONAL FORUM COLLECTIVE
AIT TAIPEI 1095
CDR USPACOM HONOLULU HI
CIA WASHDC
DIA WASHDC
SECDEF WASHDC
NSC WASHDC

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SUBJECT: VIETNAM AND CHINA: COMING AROUND WARILY

REF: A. HANOI 247 B. 04 HANOI 2745 C. IIR 6 950 0016
05 D. IIR 6 950 0027 05

Classified By: Charge D'Affaires John Boardman. Reason: 1.4 (D).

1. (C) Summary: After a rocky six months (ref A), China and Vietnam are knitting relations back together. An exchange of leader visits is in the works, the GVN is looking forward to a China-hosted conference on the Mekong and the Chinese Minister of State Security recently visited Vietnam for talks on sensitive security issues. Scholarly and ideological exchanges have carried on throughout, focusing on the challenges for continued regime maintenance on both sides; the pros and cons of economic liberalization and development; and, the inescapable fact of American dominance on the world stage. Positive steps are tempered, however, by suspicion: Vietnam's decision to participate in the joint seismological survey in the South China Sea was made reluctantly, and some in the Ministry of National Defense are concerned that China may be planning military moves in the Spratlys, including attacking a Taiwan-held island. End Summary.

HIGH LEVEL VISITS

2. (SBU) Various sources in the GVN, including the Ministry of Foreign Affairs (MFA) China Desk, confirmed that Vietnam and China are actively planning to exchange leadership-level visits beginning in the second half of 2005. After being frustrated in their efforts to nail down a visit by Chinese President Hu Jintao during the October visit of PM Wen Jiabao (ref B), in late 2004 Vietnam persuaded China to commit to a Hu visit in March of 2005, according to the Japanese Embassy in Hanoi. Following the January 8 incident in the Gulf of Tonkin when Chinese maritime police clashed with Vietnamese fishermen, killing eight (ref C), the Chinese reportedly told the GVN the Hu visit would have to be rescheduled. (Note: GVN officials would not confirm this version of events, or even that a Hu visit had been scheduled at all for March. End note.) Hu's new date is not set, but Chinese and Vietnamese officials said it would occur in the "second half of 2005." A visit by Vietnamese State President Tran Duc Luong may happen in the next three months (Institute for Chinese Studies), or it may happen in early 2006 (MFA China Desk).

3. (SBU) Dr. Do Tien Sam, head of the Chinese Studies Center, told Poloff that in June or July the Chinese PM will host a Greater Mekong Subregion conference in Yunnan Province to discuss problems related to the Mekong River. All of the Prime Ministers of the downstream countries will be invited to the conference, Dr. Sam said. "The meeting was requested by the downstream countries," Dr. Sam observed, "and China's decision to hold the meeting demonstrates China's willingness to address the concerns of downstream countries. The province of Yunnan has plans to build hydroelectric dams on the Mekong, with potentially serious effects for us. But downstream countries recognize that no solution is workable without Chinese participation."

SECURITY COOPERATION

4. (C) The recent marquee event in Sino-Vietnamese relations was the visit to Vietnam of Minister for State Security (MSS) Xu Yongyao, the first time a Chinese Minister of State Security has visited Vietnam. Vietnamese Ministry of Public

Security (MPS) official Tran Van Trinh told Poloff that the visit, which was reciprocating a visit to China in 2003 by Vietnamese Minister of Public Security Le Hong Anh, was positive and that the two sides had signed "an agreement highlighting our very good cooperation." Trinh said the agreement covered "the security side" and complemented "another subagreement" with China signed last year covering the police sector. Together, the two agreements commit both sides to close cooperation on crime prevention, counterterrorism, counternarcotics and anti-trafficking in persons. Both sides have also committed to "cooperate in protecting social order and security in border areas," Trinh said. He further described the agreements as "a general framework containing a commitment to cooperate on transnational crime issues and for China to provide assistance to Vietnam on capacity building." The only specifics in the agreement, he said, were in the section identifying communications channels between the two Ministries. (Note: Neither Trinh nor any of our contacts in the Chinese Embassy would provide a copy of these "sensitive" agreements. End note.)

15. (C) A Chinese national source added that the Chinese were unpleasantly surprised by the GVN's decision to announce in the press what was supposed to be a secret visit. Xu's delegation included the director of MSS's Bureau of Intelligence, the director of MSS's Bureau of International Cooperation, and the Security Bureau directors of Guangxi and Yunnan provinces, the source said. The agreement Xu signed is the fourth security-related agreement China has signed with Vietnam, following agreements signed with the Chinese Ministry of Defense (MOD), Ministry of Foreign Affairs (MFA) and Ministry of Public Security (MPS), he explained. The agreement covered intelligence exchange; a regular exchange of visits "at the leadership and scholar levels;" "security equipment" Vietnam wanted to purchase such as recording equipment, typing equipment, reconnaissance equipment, and "general equipment;" and, a commitment to cooperate in the fight against transnational crime. In all, the source assessed, it was a successful visit.

DEFENSE COOPERATION

16. (C) Bilateral defense cooperation remains cool and measured, resting entirely on the framework of the October 2003 Memorandum of Cooperation (signed by the MND in 2004) spelling out the mechanism for interaction between China and Vietnam's Ministries of Defense. In April 2005, the PAVN's Deputy Chief of General Staff visited his counterpart in the PLA (ref D). We have no details on any outcomes of this visit, which the Vietnamese MND characterized only as "maintaining the relationship." In the last year, there have been no bilateral defense-related contacts other than those specifically cited in the 2003 Memorandum.

IDEOLOGICAL COOPERATION/SCHOLARLY EXCHANGE

17. (SBU) As both China and Vietnam grapple with the contradictions inherent in attempting to maintain a traditional communist political system while encouraging free-market-driven economic growth, ideological cooperation and scholarly exchange remain an enduring bright spot in bilateral relations. The Presidents of China and Vietnam will have the "important task" of addressing basic ideological issues, Dr. Sam said. "We have no choice," he said, "bilateral cooperation has to become more comprehensive in light of problems of market openness and economic development." It falls to the State Presidents, he continued, to address the question of whether it is possible to combine socialism and a market economy.

18. (SBU) Vietnamese and Chinese scholars and government officials, as well as Party officials, frequently exchange ideas on these subjects, Dr. Sam said. Regardless of the state of bilateral relations, the ideological conversations continue. "Vietnam and China learn from each other. Vietnam in particular looks to China to learn how certain economic or political initiatives will affect society." Dr. Sam provided illuminating detail on the topics of conversation between Chinese and Vietnamese scholars and government-supported thinkers.

Private sector development vs. encouraging SOEs

19. (SBU) Both China and Vietnam agree that the State sector plays a key role in the economy, Dr. Sam said. China has "taken many measures" to develop the private sector and plans that in 5-10 years the private sector will contribute 60 percent of GDP. In formal papers, Chinese scholars write that the State sector is key; in reality, the Chinese government actively encourages the private sector, he noted. Vietnam also says officially that the State sector plays a key role, but in reality encourages the private sector.

Increasingly, in both countries, the private sector complains about the uneven playing field with State-owned enterprises (SOEs).

10. (SBU) This issue is a major subject for exchange and discussion between Vietnamese and Chinese experts, Dr. Sam said. "Should we keep this idea of saying the State plays the key role? That implies the official prioritization of SOEs in economic development. We need a breakthrough in our ideological thinking. In a market economy, all players should be equal. The challenge that (Chinese and Vietnamese thinkers) face is how to express these ideas with a proper socialist orientation."

Rule of law

11. (SBU) The second major subject of dialogue and exchange among Chinese and Vietnamese intellectuals and Party members is rule of law, Dr. Sam continued. "Both countries say explicitly they are trying to build rule of law. But there are contradictions. Rule of law implies a nation of a constitution and laws. But we are one-party states, so how can we say we recognize rule of law? In China people say rule of the Party is higher than the rule of law or the rights of people. All branches of government are controlled by the Party. In the United States, the branches are independent and the supreme power is the Constitution. Regardless of the party the President comes from, he must work under the Constitution."

12. (SBU) "In Vietnam and China," Dr. Sam observed, "the branches are not independent and must coordinate in accordance with a mechanism controlled by the party. It isn't even an effective coordination system. To move towards a market economy, we need to strive for rule of law, but what a rule of law country is remains unclear to us. These are issues Vietnam and China are exploring together."

Social consequences of economic development

13. (SBU) For the past 20 years, Vietnam and China have focused on building their economies, with success in promoting economic development but with some problems as well, Dr. Sam said. In China, problems have fallen heavily on rural areas as rapid urbanization has caused farmers to lose land; in 2004 more than 40 million Chinese farmers lost land and were compensated at "low rates," he explained. Worse, as much as 15 percent of the limited compensation farmers did get was siphoned off by "local and state agents." The Chinese people criticize their government, Dr. Sam said, because "the farmers don't have fields, the workers don't have jobs, and the people don't have social security." The same issues are beginning to confront Vietnam, Dr. Sam said, "and, if we ignore them, dangerous instability will follow."

14. (SBU) "Farmers represent 80 percent of our population," Dr. Sam continued. "Fifty percent of those are subsistence farmers who produce no surplus. They have nothing with which to participate in the market and do not benefit from market-based reforms. All these people see is an increasing gap between what they have and what the rich have." Addressing this potential threat to social stability and to the people's confidence in the regime is a very important topic of discussion between Vietnam and China, he noted.

15. (SBU) "Our other common interest is corruption, which has reached the level of a national disaster here and in China," he continued.

The international situation

16. (SBU) Chinese and Vietnamese scholars and thinkers spend a great deal of time analyzing global trends and politics, in particular the role of the United States, Dr. Sam said. Both countries agree that "multipolarization" is both desirable and difficult. Practically, Vietnam and China have to acknowledge that there is only one pole - the United States. "The United States has an economic, political, technical/scientific and military advantage," Dr. Sam explained. "Acknowledging this is a new aspect of bilateral relations between Vietnam and China. Before we only acknowledged the economic, technical and military advantage of the United States. Now we acknowledge cultural and political dominance as well." Chinese scholars and government officials admit that the U.S. political system is "optimal," Dr. Sam said, "and for the next 25 years no one will be able to counterbalance that advantage. We agree with that assessment."

JOINT EXPLORATION IN THE SPRATLYS

17. (SBU) Vietnam's announcement earlier this year that it

would join an announced China-Philippines joint seismological survey expedition in the South China Sea came as a surprise to some within the GVN. Dr. Sam characterized it as a "positive development," but acknowledged that the GVN had stalled as long as possible before finally agreeing to participate, having given up on the possibility that the expedition would not go forward. "If Vietnam does not participate, China will continue to exploit these oil resources with other bilateral partners, and Vietnam's stocks of oil will be depleted by China's straw in our teapot," Dr. Sam said.

118. (C) A Chinese Embassy source explained to Poloff, "once we got the Philippines to agree, Vietnam had no choice. Refusing to participate would weaken their claims over economic resources. Joining us is an admission that we have the right to be there. When they realized they could not prevent the expedition, they decided it was better to join it."

VIETNAMESE NAVY SEES POSSIBLE CHINA-TAIWAN SPRATLYS CLASH

119. (C) An SRV Navy officer working in the Ministry of National Defense explained that Vietnam knows "from long experience" that China balances positive and peaceful actions and statements with aggressive or confrontational moves, a dialectic the Vietnamese call the "look East, hit West" policy. In the current environment, the Vietnamese Navy's assessment, according to this officer, is that China will as a "next step" follow up the tripartite seismological expedition with an attack on Taiwan forces occupying the "Peace" island (aka Itu Aba island, located at 114 degrees 22 minutes E longitude and 10 degrees 23 minutes N latitude). In addition to "advancing Chinese control over the Spratlys," this action would "provide China with valuable information about the nature and extent of U.S.-Taiwan military cooperation and coordination without a significant risk of U.S.-China conflict," the officer said, because "the United States would not involve itself in Spratlys disputes." The next step after that, he continued, would be the occupation of Vietnamese-held islands. (Note: We have not been able to corroborate this officer's statement, and we note that defending Vietnam's claims over the South China Sea is a substantial part of the Navy's reason to exist. Assessments of potential Chinese naval action in the South China Sea would support the Vietnamese Navy's requests for resources and position within the military hierarchy. These factors could affect the Navy's conclusions about China's intentions; additionally it is possible that this officer was expressing his own opinion and characterizing it as that of the Navy. The comment is useful mainly to illustrate the level of mistrust of China that exists in the Vietnamese military. End Note.)

COMMENT

120. (C) Broadly and generally speaking, the attitude of the Vietnamese power structure towards China is split. On one side are self-proclaimed nationalists, often connected with the military, who see China as a threat to Vietnam's sovereignty and territorial integrity. On the other side are those who see close relations with China as the best way to guarantee continued economic development and the maintenance of CPV power. These two sides balance each other: the military remains vigilant against encroachment on Vietnamese territory, and the Party actively pursues closer ties and dialogue. While we do not see a momentous or enduring shift in GVN-Chinese relations, things have definitely improved since the glacial conditions that prevailed after the fishing boat shooting incident in January 2005. This has been a result of conscious effort by the GVN, which strives to maintain stable and friendly relations with China and the United States simultaneously.

121. (C) Comment continued: Dr. Sam's description of recent ideological and scholarly exchanges between China and Vietnam is interesting because of the acknowledgement of corruption as an internal threat to both the CPV's and CCP's hold on power, and the assessment of the power and "optimal character" of the political system and culture of the United States. The last time we asked about China-Vietnam ideological exchange (in February 2004), our Vietnamese interlocutors would admit only to discussing issues that fall comfortably within the boundaries of orthodox socialist/Communist Party doctrine, such as resolving social inequalities and recruiting high-quality cadres. Our more recent conversation indicates that the China-Vietnam dialog has matured considerably and become more realistic. End Comment.
Boardman

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